

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Financial Statements, Supplementary Information, and  
Management's Discussion and Analysis

June 30, 2005

(With Independent Auditors' Reports Thereon)

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

June 30, 2005

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KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

The Board of Supervisors  
County of Fairfax, Virginia

Virginia Housing Development Authority  
601 South Belvidere Street  
Richmond, Virginia 23220

The Board of Commissioners  
Fairfax County Redevelopment  
and Housing Authority:

We have audited the financial statements of the Fairfax County Redevelopment and Housing Authority, Section 8 – New Construction – Group Home, Project No. VA39-H027-017 (the Project), as of and for the year ended June 30, 2005, as listed in the accompanying table of contents. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Virginia Housing Development Authority's *Mortgagor/Grantee's Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Project are intended to present the financial position, and changes in financial position and cash flows, of only the Project. They do not purport to, and do not, present fairly the financial position of the Fairfax County Redevelopment and Housing Authority as of June 30, 2005, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the Project referred to above present fairly, in all material respects, the financial position of the Project at June 30, 2005, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Management's Discussion and Analysis on pages 3 through 6 is not a required part of the Project's financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the Project's financial statements taken as a whole. The supplementary information on pages 15 through 19 is presented for purposes of additional analysis and is not a required part of the Project's financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the Project's financial statements and, in our opinion, is fairly stated in all material respects in relation to the Project's financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 2, 2005 on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

September 2, 2005

# **FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Management's Discussion and Analysis (MD&A)

June 30, 2005

## **Introduction**

The Fairfax County Redevelopment and Housing Authority (FCRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within Fairfax County as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors created the Department of Housing and Community Development (HCD) to act as the development and administrative agency for the FCRHA and the Board in meeting the housing and community development needs of the County's low- and moderate-income residents.

The FCRHA presents this discussion and analysis of its Section 8 – New Construction – Group Home, Project No. VA39-H027-017 (the Project) as of and for the fiscal year ended June 30, 2005 to assist the reader in focusing on significant financial issues. The Project is a housing facility for developmentally disabled adults.

## **The Project's Financial Highlights For Fiscal Year 2005 (FY 2005)**

In summary, the Project's FY 2005 financial highlights included the following:

- As of June 30, 2005, total assets and liabilities were \$709,340 and \$309,998, respectively; thus total net assets were \$399,342.
- Total revenues and expenses were \$88,643 and \$79,959, respectively; thus total net assets were increased by \$8,684.
- Cash flows from operating activities amounted to \$35,605. After considering investing and capital and related financing activities, total cash increased by \$10,619.

## **Project Financial Statements**

This discussion and analysis presents the Project's financial results in three financial statements – the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. The FY 2005 financial results are compared to those of FY 2004, thus allowing the readers to ascertain the reasons for changes in revenues, expenses, or net asset balances. These financial statements were prepared using the economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting, the financial statements recognize revenues in the period they are earned and expenses in the period they are incurred.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

Management's Discussion and Analysis (MD&A)

June 30, 2005

***Summary of Net Assets***

The Project's FY 2005 and FY 2004 statements of net assets report all financial and capital assets of the Project and are presented in a format where assets minus liabilities equals net assets. The following table reflects a condensed summary of net assets as of June 30, 2005 and 2004.

**Table 1**  
**Summary of Net Assets**  
June 30, 2005 and 2004

<b>Description</b>	<b>2005</b>	<b>2004</b>	<b>Increase (decrease)</b>
Current and other assets	\$ 490,217	479,598	10,619
Capital assets	219,123	232,694	(13,571)
Total assets	709,340	712,292	(2,952)
Current liabilities	15,134	14,359	775
Noncurrent liabilities	294,864	307,275	(12,411)
Total liabilities	309,998	321,634	(11,636)
Net assets:			
Invested in capital assets, net of related debt	(88,152)	(86,033)	(2,119)
Restricted	489,118	475,494	13,624
Unrestricted (deficit)	(1,624)	1,197	(2,821)
Total net assets	\$ 399,342	390,658	8,684

The Project's net assets include unrestricted deficit net assets of \$1,624 and restricted net assets of \$489,118. Restricted net assets of the Project are comprised primarily of funded reserves. Unrestricted net assets include cash on deposit with Fairfax County.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

Management's Discussion and Analysis (MD&A)

June 30, 2005

***Summary of Revenues, Expenses, and Changes in Net Assets***

The Project's statement of revenues, expenses, and changes in net assets include operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and nonoperating revenues and expenses, such as grant revenue, investment income, and interest expense. The statement reflects an increase in net assets of \$8,684 and \$702, in FY 2005 and FY 2004 respectively. Table 2 presents a condensed summary of data from the Project's statements of revenues, expenses, and changes in net assets.

**Table 2**  
**Summary of Revenues, Expenses, and Changes in Net Assets**  
Years ended June 30, 2005 and 2004

Description	2005	2004	Increase (decrease)
Revenues:			
Operating revenues	\$ 76,351	65,806	10,545
Nonoperating revenues	12,292	11,507	785
Total revenues	88,643	77,313	11,330
Expenses:			
Operating expenses	54,733	50,492	4,241
Nonoperating expenses	25,226	26,119	(893)
Total expenses	79,959	76,611	3,348
Increase in net assets	\$ 8,684	702	7,982
Total net assets, beginning of year	390,658	389,956	702
Total net assets, end of year	\$ 399,342	390,658	8,684

Operating revenues increased by \$10,545 in FY 2005. The increase is due to an increase in the occupancy rate.

In FY 2005 and FY 2004, the Project's operating expenses totaled \$54,733 and \$50,492, respectively. The increase of \$4,241 was primarily attributable to scheduled maintenance. The nonoperating expenses are interest on outstanding long-term liabilities.

**Capital Assets and Debt Administration**

The Virginia Housing Development Authority (the VHDA) provided permanent financing for the purchase of the land and buildings. The outstanding balance of the mortgage amounted to \$307,275 and \$318,727 at June 30, 2005 and 2004, respectively. The decrease in 2005 is a result of scheduled principal payments.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

Management's Discussion and Analysis (MD&A)

June 30, 2005

The Project's capital assets as of June 30, 2005 included land, buildings, and improvements and equipment that totaled \$219,123, net of accumulated depreciation of \$252,301. A breakdown of these assets is shown in table 3.

**Table 3**

**Change in Capital Assets of Section 8 – New Construction – Group Home Project**

<b>Description</b>	<b>Beginning balance</b>	<b>Net change</b>	<b>Ending balance</b>
Nondepreciable assets:			
Land	\$ 168,059	—	168,059
Depreciable capital assets:			
Buildings and improvements	300,734	—	300,734
Equipment	2,631	—	2,631
Accumulated depreciation	(238,730)	(13,571)	(252,301)
Totals	<u>\$ 232,694</u>	<u>(13,571)</u>	<u>219,123</u>

The Project is a single-story structure with a central kitchen, a community room, two living areas, offices for counselors, a laundry room, and 12 single bedrooms for the residents. The installation of a new fire alarm system is planned for FY 2006.

**Contacting FCRHA Management**

This financial report is designed to provide the citizens of the County, taxpayers, tenants, and investors and creditors with a general overview of the Project's finances and to demonstrate the Project's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia, 22030.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Statement of Net Assets

June 30, 2005

**Assets**

Current assets:

Cash on deposit with County of Fairfax, Virginia	\$ 1,099
Total current assets	<u>1,099</u>

Noncurrent assets:

Restricted assets (note 5):

Replacements reserves	34,410
Operating reserves	<u>454,708</u>
Total restricted assets	<u>489,118</u>

Capital assets (note 4):

Nondepreciable:

Land	168,059
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Depreciable:

Buildings and improvements	300,734
Equipment	2,631
Accumulated depreciation	<u>(252,301)</u>

Total capital assets, net	<u>219,123</u>
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Total assets	<u>709,340</u>
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**Liabilities**

Current liabilities:

Accounts payable and accrued liabilities	2,723
Mortgage payable (note 5)	<u>12,411</u>
Total current liabilities	<u>15,134</u>

Noncurrent liabilities:

Mortgage payable (note 5)	<u>294,864</u>
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Total long term liabilities	<u>294,864</u>
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Total liabilities	<u>309,998</u>
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**Net Assets**

Invested in capital assets, net of related debt	(88,152)
Restricted net assets	489,118
Unrestricted net assets (deficit)	<u>(1,624)</u>
Total net assets	<u>\$ 399,342</u>

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2005

Operating revenues:	
Dwelling rentals	\$ 76,351
Total operating revenues	<u>76,351</u>
Operating expenses:	
Repairs and maintenance	29,769
Administrative expenses	11,393
Depreciation	<u>13,571</u>
Total operating expenses	<u>54,733</u>
Net operating income	<u>21,618</u>
Nonoperating revenues (expenses):	
Interest revenue	12,292
Interest expense	<u>(25,226)</u>
Total nonoperating expenses, net	<u>(12,934)</u>
Change in net assets	8,684
Total net assets, beginning of year	<u>390,658</u>
Total net assets, end of year	<u><u>\$ 399,342</u></u>

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Statement of Cash Flows

Year ended June 30, 2005

Cash flows from operating activities:	
Rental income received	\$ 76,351
Administrative expenses paid	(11,393)
Operating and maintenance expenses paid	<u>(29,353)</u>
Net cash provided by operating activities	<u>35,605</u>
Cash flows from investing activities:	
Interest received	<u>12,292</u>
Net cash provided by investing activities	<u>12,292</u>
Cash flows from capital and related financing activities:	
Principal payments on mortgage payable	(11,452)
Interest payments on mortgage payable	<u>(25,826)</u>
Net cash used in capital and related financing activities	<u>(37,278)</u>
Net increase in cash	10,619
Cash, beginning of year	<u>479,598</u>
Cash, end of year	<u><u>\$ 490,217</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 21,618
Depreciation	13,571
Increase in accounts payable	<u>416</u>
Net cash provided by operating activities	<u><u>\$ 35,605</u></u>

See accompanying notes to financial statements.

# **FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

## **Section 8 – New Construction – Group Home (Project No. VA39-H027-017)**

### **Notes to Financial Statements**

June 30, 2005

#### **(1) Narrative Profile**

The Fairfax County Redevelopment and Housing Authority, Section 8 – New Construction – Group Home, Project No. VA39-H027-017 (the Project) is a housing facility for developmentally disabled adults. The goal of the Project is to increase the ability of its residents to become self-sufficient. Contained within the single-story structure is a central kitchen, a community dining room, two living room areas, offices for the counselors, a laundry room, and 12 single bedrooms for the residents. The Project is owned by the Fairfax County Redevelopment and Housing Authority (the Authority) and is operated by the Fairfax-Falls Church Community Services Board pursuant to an agreement with the Authority. The Authority is a component unit of the County of Fairfax, Virginia.

The accompanying financial statements present only the financial position, changes in financial position and cash flows of the Project, and are not intended to present fairly the financial position, changes in financial position, and cash flows of the Authority in conformity with generally accepted accounting principles (GAAP) in the United States of America.

#### **(2) Summary of Significant Accounting Policies**

The accounting policies of the Project conform to GAAP as applicable to proprietary fund types of governmental units. The following is a summary of the Project's more significant accounting policies:

##### **(a) *Basis of Accounting***

The activities of the Project are accounted for on an economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The Project applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or prior to November 30, 1989 unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of external financial reporting in accordance with GAAP, the Project is following the reporting guidance set forth in GAAP for "departmental" financial statements.

##### **(b) *Cash on Deposit with County of Fairfax, Virginia***

The Project's cash is maintained within the treasury of the County of Fairfax, Virginia (the County). To optimize investment returns, the Project's funds are invested together with all other pooled funds, all of which are fully insured and collateralized. The County allocates investment income to the Project based on its average cash balance.

##### **(c) *Restricted Assets***

Restricted assets represent funded reserves held by the Virginia Housing Development Authority (the VHDA), a state-housing-finance agency, pursuant to the regulatory agreement. All amounts are fully insured and collateralized. Such restricted assets have been included in cash for purposes of the statement of cash flows.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Notes to Financial Statements

June 30, 2005

**(d) Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and have an estimated useful life greater than one year. Capital assets are recorded at cost when purchased, or at fair market value when donated. Depreciation is calculated using the straight-line method over estimated useful lives of 27.5 years for buildings and improvements and 5 to 10 years for equipment. Depreciation is not recorded on land.

**(e) Revenue Recognition**

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned.

**(f) Operating Revenues and Expenses**

The Project's policy is to report all Project revenues and expenses as operating, with the exception of interest income and expenses.

**(g) Implementation of New GASB Standards**

In FY 2005, the Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

**(3) Housing Assistance Payments Contract**

The U.S. Department of Housing and Urban Development (the HUD), through the VHDA, provides federal housing assistance for lower-income persons under the Section 8 program to the Project's residents. HUD provides funds to pay the difference between 30% of an eligible person's income and the HUD-established fair market rent for a housing unit, which includes rent and utilities. A Housing Assistance Payments (HAP) contract between the VHDA and the Authority provides the funding received under Section 8 to operate the Project. The contract was entered into on July 27, 1979 and has a term of 40 years. During 2005, the Project received HAP contract payments amounting to \$58,423.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Notes to Financial Statements

June 30, 2005

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 168,059	—	—	168,059
Capital assets being depreciated:				
Buildings and improvements	300,734	—	—	300,734
Equipment	2,631	—	—	2,631
Total capital assets being depreciated	303,365	—	—	303,365
Less accumulated depreciation for:				
Buildings and improvements	(236,099)	(13,571)	—	(249,670)
Equipment	(2,631)	—	—	(2,631)
Total accumulated depreciation	(238,730)	(13,571)	—	(252,301)
Capital assets, net	\$ 232,694	(13,571)		219,123

**(5) Mortgage Loan Payable**

The VHDA provided construction and permanent financing for the Project. The outstanding mortgage loan carries an interest rate of 8.07% with final payment due June 1, 2019. The monthly principal and interest payment is \$3,063.

The land, structures, and equipment of the Project are pledged as security for the mortgage loan. The HAP contract is also pledged as security for the mortgage loan.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Notes to Financial Statements

June 30, 2005

The Project maintains certain restricted deposits and funded reserves as required by VHDA. The aggregate amount of the required principal and interest payments on the mortgage loan as of June 30, 2005 is \$514,586 and is due as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2006	\$ 12,411	24,345
2007	13,451	23,305
2008	14,577	22,179
2009	15,798	20,958
2010	17,121	19,635
2011–2015	109,675	74,105
2016–2020	124,242	22,784
Total	<u>\$ 307,275</u>	<u>207,311</u>

Changes in the mortgage payable for the year ended June 30, 2005 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending balance</u>	<u>Due within one year</u>
Mortgage payable	\$ 318,727	—	(11,452)	307,275	12,411

**(6) Related-Party Transactions**

**(a) Agreement with CSB**

The County Board of Supervisors appoints the Commissioners of the Authority and a majority of board members of the Fairfax–Falls Church Community Services Board (CSB). Based on an agreement between the Authority and CSB, the CSB provides monthly rent subsidies on behalf of the Project's residents.

During the year ended June 30, 2005, the CSB provided \$17,928 in rent subsidies.

**(b) Management Agreement with the Authority**

The Project pays monthly management fees to the Authority based on 4% of gross rental collections. For the year ended June 30, 2005, the Project paid \$3,054 under the terms of the management agreement.

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Notes to Financial Statements

June 30, 2005

**(7) Risk Management**

The Project is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Project participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ending June 30, 2005.

## **SUPPLEMENTARY INFORMATION**

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Supplementary Information

June 30, 2005

The following supplementary information is presented for the purpose of additional analysis:

**Accounts and Notes Receivable (Other than from Regular Tenants)**

None

**Delinquent Tenant Accounts Receivable**

None

**Tenant Security Deposits**

None

**Reserve for Replacements**

In accordance with the provisions of the regulatory agreement, restricted cash is held by the VHDA to be used for replacement of property with the approval of the VHDA, are as follows:

Balance as of June 30, 2004, confirmed by mortgagee	\$	32,163
Monthly deposits		1,332
Interest earned		915
Withdrawals		<u>—</u>
Balance as of June 30, 2005, confirmed by mortgagee	\$	<u><u>34,410</u></u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Supplementary Information

June 30, 2005

**Operating Reserve**

Operating reserves are held by the VHDA or, with VHDA approval, by the mortgagor in a restricted account and may be disbursed only as provided in the regulatory agreement with the approval of the VHDA, are as follows:

Balance as of June 30, 2004, confirmed by mortgagee	\$	443,331
Total deposits		—
Interest earned		11,377
Balance as of June 30, 2005, confirmed by mortgagee	\$	<u>454,708</u>

**Mortgage Payable**

Payables due in more than 60 days, all payables due mortgagee, and all payables due management agent:

<u>Creditor</u>	<u>Purpose</u>	<u>Date incurred</u>	<u>Terms</u>	<u>Original amount</u>	<u>Amount due</u>
VHDA	Mortgage	July 1978	40 years	\$ <u>437,157</u>	<u>307,275</u>

**Related-Party Transactions**

<u>Entity</u>	<u>Description of services</u>	<u>Amount</u>
Expenses – Fairfax County Redevelopment and Housing Authority	Management services performed during the year	\$ 3,054
Revenues – Fairfax–Falls Church Community Services Board	Monthly tenant rents	17,928

**Schedule of Surplus Cash and Residual Receipts**

Cash in treasury of County of Fairfax, Virginia	\$	1,099
Mortgage interest payable first of next month		(1,543)
Current obligations – accounts payable and accrued liabilities		<u>(1,180)</u>
Surplus cash (deficiency)		<u>(1,624)</u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2005

Part I	Description of Account	Acct. No.	Amount	
Rental Income 5100	Apartments or Member Carrying Charges (Coops)	5120	\$ 17,928	
	Tenant Assistance Payments	5121	58,423	
	Furniture and Equipment	5130	—	
	Stores and Commercial	5140	—	
	Garage and Parking Spaces	5170	—	
	Flexible Subsidy Income	5180	—	
	Miscellaneous (specify)	5190	—	
	<b>Total Rent Revenue Potential at 100% Occupancy</b>			\$ 76,351
Vacancies 5200	Apartments	5220	—	
	Furniture and Equipment	5230	—	
	Stores and Commercial	5240	—	
	Garage and Parking Spaces	5270	—	
	Miscellaneous (specify)	5290	—	
	<b>Total Vacancies</b>			\$ —
	<b>Net Rental Revenue</b>			\$ 76,351
	<b>Elderly and Congregate Services Income - 5300</b>			
	<b>Total Service Income (Schedule Attached)</b>	5300	—	—
Financial Revenue	Interest Income - Project Operations	5410	11,377	
	Income from Investments – Residual Receipts	5430	—	
	Income from Investments – Reserve for Replacement	5440	915	
	Income from Investments – Miscellaneous	5490	—	
	<b>Total Financial Revenue</b>			\$ 12,292
Other Revenue 5900	Laundry and Vending	5910	—	
	NSF and Late Charges	5920	—	
	Damages and Cleaning Fees	5930	—	
	Forfeited Tenant Security Deposits	5940	—	
	Other Revenue (specify) (gain on lender refinancing)	5990	—	
	<b>Total Other Revenue</b>			\$ —
	<b>Total Revenue</b>			\$ 88,643
Administrative Expenses 6200/6300	Advertising	6210	—	
	Other Administrative Expense	6250	339	
	Office Salaries	6310	—	
	Office Supplies	6310	—	
	Office or Model Apartment Rent	6312	—	
	Management	6320	—	
	Manager or Superintendent Salaries	6330	—	
	Manager or Superintendent Rent Free Unit	6331	—	
	Legal Expenses – Project	6340	—	
	Audit Expense – Project	6350	8,000	
	Bookkeeping Fees / Accounting Service	6351	3,054	
	Telephone and Answering Service	6360	—	
	Bad Debts	6370	—	
	Miscellaneous Administrative Expenses (specify)	6390	—	
	<b>Total Administrative Expenses</b>			\$ 11,393
Utilities Expense 6400	Fuel Oil / Coal	6420	—	
	Electricity (Light and Misc. Power)	6450	—	
	Water	6451	—	
	Gas	6452	—	
	Sewer	6453	—	
	<b>Total Utilities Expense</b>			\$ —

(Continued)

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2005

Part I	Description of Account	Acct. No.	Amount	
Operating and Maintenance Expenses 6500	Janitor and Cleaning Payroll	6510	—	
	Janitor and Cleaning Supplies	6515	—	
	Janitor and Cleaning Contract	6517	—	
	Exterminating Payroll / Contract	6519	—	
	Exterminating Supplies	6520	—	
	Garbage and Trash Removal	6525	1,230	
	Security Payroll / Contract	6530	—	
	Grounds Payroll	6535	—	
	Grounds Supplies	6536	—	
	Grounds Contract	6537	3,857	
	Repairs Payroll	6540	1,014	
	Repairs Material	6541	44	
	Repairs Contract	6542	10,607	
	Elevator Maintenance / Contract	6545	—	
	Heating / Cooling Repairs and Maintenance	6546	203	
	Swimming Pool Maintenance / Contract	6547	—	
	Snow Removal	6548	—	
	Decorating Payroll / Contract	6560	—	
	Decorating Supplies	6561	—	
	Other	6570	12,814	
	Miscellaneous Operating and Maintenance Expenses	6590	—	
<b>Total Operating and Maintenance Expenses</b>				\$ 29,769
Taxes and Insurance 6700	Real Estate Taxes	6710	—	
	Payroll Taxes (FICA)	6711	—	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6719	—	
	Property and Liability Insurance (Hazard)	6720	—	
	Fidelity Bond Insurance	6721	—	
	Workmen's Compensation	6722	—	
	Health Insurance and Other Employee Benefits	6723	—	
	Other Insurance (specify)	6729	—	
<b>Total Taxes and Insurance</b>				\$ —
Financial Expenses 6800	Interest on Bonds Payable	6810	—	
	Interest on Mortgage Payable	6820	25,226	
	Interest on Notes Payable (Long-Term)	6830	—	
	Interest on Notes Payable (Short-Term)	6840	—	
	Mortgage Insurance Premium / Service Charge	6850	—	
	Miscellaneous Financial Expenses	6890	—	
<b>Total Financial Expenses</b>				\$ 25,226
Elderly and Congregate Service Expenses 6900	<b>Total Service Expenses (Schedule Attached)</b>	6900	\$ —	
	<b>Total Cost of Operations Before Depreciation</b>		\$ 66,388	
	<b>Profit (Loss) Before Depreciation</b>		\$ 22,255	
	Depreciation and Amortization	6600	\$ 13,571	
	Operating Profit or (Loss)		\$ 8,684	
Corporate or Mortgagor Entity Expenses 7100	Officer Salaries	7110	—	
	Legal Expenses – (Entity)	7120	—	
	Taxes (Federal – State – Entity)	7130-32	—	
	Other Expenses (Entity)	7190	—	
	<b>Total Corporate Expenses</b>		\$ —	
<b>Net Profit or (Loss)</b>				\$ 8,684

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Supplementary Information

Changes in Capital Asset Accounts

Year ended June 30, 2005

Capital Assets			Accumulated Depreciation			Net book value
	Balance June 30, 2004	Balance June 30, 2005	Balance June 30, 2004	Current provision	Balance June 30, 2005	
		Additions				
Land	\$ 168,059	—	168,059	—	—	168,059
Buildings and improvements	300,734	—	300,734	236,099	13,571	51,064
Equipment	2,631	—	2,631	2,631	—	—
	\$ 471,424	—	471,424	238,730	13,571	219,123



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Supervisors  
County of Fairfax, Virginia

Virginia Housing Development Authority  
601 South Belvidere Street  
Richmond, Virginia 23220

The Board of Commissioners  
Fairfax County Redevelopment  
and Housing Authority:

We have audited the basic financial statements of the Fairfax County Redevelopment and Housing Authority, Section 8 – New Construction – Group Home (Project No. VA39-H027-017) (the Project) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Mortgagor/Grantee's Audit Guide*; issued by the Virginia Housing Development Authority.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Project's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors of Fairfax County, Virginia, the Board of Commissioners of the Fairfax County Redevelopment and Housing Authority, the Project's management and the Virginia Housing Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

September 2, 2005

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

Audit Compliance and Internal Control Questionnaire

June 30, 2005

Project Name: Section 8 – New Construction – Group Home

Project Number: VA39-H027-017

Fiscal Year End: June 30, 2005

Answers to these questions should be based upon a review of procedures and/or an actual test of transactions. “No” answers may be indicative of an adverse condition which must be described in the audit report unless the Mortgagor/Grantee has written permission from VHDA to deviate from the regular mortgage/grant requirements.

The following questionnaire is a required part of this report per the VHDA Mortgagor’s Audit Guide. The responses to the questions were entered by KPMG based on the results of inquiry and observations related to the item addressed. KPMG considered these items in preparing its report on internal control and this questionnaire should be read in conjunction with that report.

<u>Examination status</u>	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>WP Reference</u>
<b>1. Mortgage Status</b>				
a. Are payments on all mortgages current?	<u>X</u>	<u>          </u>	<u>          </u>	<u>I-Series</u>
b. Has the Mortgagor/Grantee complied with the terms and conditions of the modification, forbearance and/or workout arrangement?	<u>          </u>	<u>          </u>	<u>X</u>	<u>N/A</u>
c. If the workout agreement or subsequent correspondence requires periodic deposits of surplus cash, were such deposits made within thirty days after the end of the specified period?	<u>          </u>	<u>          </u>	<u>X</u>	<u>N/A</u>
<b>2. Books and Records</b>				
a. Are a complete set of books and records maintained in a satisfactory manner?	<u>X</u>	<u>          </u>	<u>          </u>	<u>GB-F-series</u>
b. Does the Mortgagor/Grantee make frequent postings (at least monthly) to the ledger accounts?	<u>X</u>	<u>          </u>	<u>          </u>	<u>GB-F-series</u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

Audit Compliance and Internal Control Questionnaire

June 30, 2005

<u>Examination status</u>	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>WP Reference</u>
<b>3. Cash Activities</b>				
a. Are the cash receipts deposited in an account in the name of the development?		<b>X as approved by VHDA</b>		<b>GB-I-series</b>
b. Are all account balances federally insured?	<b>X</b>			<b>GB-I-series</b>
c. If a centralized account is used, is it limited to disbursements?		<b>X as approved by VHDA</b>		<b>GB-I-series</b>
d. On assisted developments, are security deposits kept in an account separate and apart from all other funds of the development?			<b>X</b>	
e. On assisted developments, does the balance in the security deposit account equal or exceed the liability? Note: The liability should include the accrued interest payable.			<b>X</b>	
f. Does a fidelity bond in an amount at least equal to potential collections for two months (one month on Section 8 uninsured developments) that provides coverage for all employees handling cash?	<b>X</b>			<b>PF-11-7</b>
g. Did cash disbursements exclude payments for items listed below:				
• Legal expenses incurred in the sale of partnership interest?			<b>X</b>	<b>None</b>
• The fee for the preparation of a partner's, shareholder's or individual's federal, state, or local income tax returns?			<b>X</b>	<b>None</b>
• Expenses for advice to an owner on tax consequences of foreclosure?			<b>X</b>	<b>None</b>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

Audit Compliance and Internal Control Questionnaire

June 30, 2005

<u>Examination status</u>	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>WP Reference</u>
• Reimbursement to the owners or affiliates for prior advances, capital expenditures and/or development acquisition costs while the mortgage/grant is in default, under modification, forbearance, or provisional workout arrangements?	<u>      </u>	<u>      </u>	<u>  X  </u>	<u>None</u>
• Were all disbursements from the operating account(s) made exclusively for operations or obligations of the development?	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>M-Series</u>
h. Were distributions made to, or on behalf of, the owners limited to those authorized by the Regulatory Agreement or the distributions in accordance with prior written approval of VHDA, while the development was in a “surplus cash” position?	<u>      </u>	<u>      </u>	<u>  X  </u>	<u>N/A</u>
Note: If development was operating under a modification or forbearance agreement and/or a provisional workout arrangement, is it not in a “surplus cash” position for the purposes of distributions?	<u>      </u>	<u>      </u>	<u>  X  </u>	<u>N/A</u>
Note: The use of rental proceeds to pay for costs included in the Mortgagor/Grantee’s cost certification are there no unauthorized distributions of development income?	<u>      </u>	<u>      </u>	<u>  X  </u>	<u>N/A</u>
i. Were residual receipts deposited with the mortgagee within thirty days after mortgagee request of such deposit?	<u>      </u>	<u>      </u>	<u>  X  </u>	<u>N/A</u>
j. Were excess rental collections in Section 236 developments remitted to HUD each month?	<u>      </u>	<u>      </u>	<u>  X  </u>	<u>N/A</u>
k. Does the Mortgagor/Grantee have a formal rent collection policy?	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>GB-I-series</u>
l. Is the collection policy uniformly enforced?	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>GB-I-series</u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

Audit Compliance and Internal Control Questionnaire

June 30, 2005

<u>Examination status</u>	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>WP Reference</u>
m. Is there a formal procedure for write-off of bad debts?	<u>X</u>	<u>          </u>	<u>          </u>	<u>L-Series</u>
n. Were there indications that payments for services, supplies, or materials were not substantially in excess of amounts normally paid for such services in order to assure the most advantageous terms to the development?	<u>X</u>	<u>          </u>	<u>          </u>	<u>M-series</u>
o. Were accounts payable remitted in a timely manner so as to not incur late charges/penalties?	<u>X</u>	<u>          </u>	<u>          </u>	<u>GB-I-series</u>
<b>4. <i>Management Compensation</i></b>				
a. Was compensation to the Management Agent limited to the amounts prescribed in the Management Agreement?	<u>X</u>	<u>          </u>	<u>          </u>	<u>M-1</u>
b. Did agent not charge development for expenses which the Management Agreement requires agent to pay?	<u>X</u>	<u>          </u>	<u>          </u>	<u>M-1</u>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home

(Project No. VA39-H027-017)

Audit Compliance and Internal Control Questionnaire

June 30, 2005

<u>Examination status</u>	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>WP Reference</u>
<b>5. Rents and Occupancy</b>				
a. On unassisted developments, is the gross potential rental income from apartments equal to or less than that shown on the most recent Rent Schedule maintained by the Management Agent?	_____	_____	<b>X</b>	<b>N/A</b>
b. On an unassisted development with federal tax credits, are rents in conformance with Federal Low Income Housing Tax Credit (IRS Section 42) program guidelines and the Extended Use Agreement (EUA)?	_____	_____	<b>X</b>	<b>None</b>
c. On subsidized developments, are dwelling unit rents the same as those approved by VHDA on the most recent Rent Schedule, HUD No. 92458?	<b>X</b>	_____	_____	<b>A-8</b>
<b>6. VHDA/HUD Subsidy Payments (Section 8/RAP Developments Only)</b>				
a. Were the amounts requested from VHDA/HUD adequately supported by the accounting records?	<b>X</b>	_____	_____	<b>L-Series</b>
b. Were subsidy receipts recorded in the proper accounts?	<b>X</b>	_____	_____	<b>L-Series</b>
c. Were utility allowance payments paid to residents within five business days of receipt from VHDA and in an amount equal to the corresponding utility allowance subsidy amounts received?	_____	_____	<b>X</b>	<b>None</b>
d. Were all uncashed utility allowance payments refunded to VHDA (via a Part II adjustment to the monthly Housing Assistance Payment) within six months of initial issuance by VHDA?	_____	_____	<b>X</b>	<b>N/A</b>

**FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY**

Section 8 – New Construction – Group Home  
(Project No. VA39-H027-017)

Certificate of Assistant Secretary

June 30, 2005

I hereby certify that I have examined the accompanying financial statements, supplementary information, and management's discussion and analysis and, to the best of my knowledge and belief, they are complete and accurate.

---

Mary A. Stevens  
Assistant Secretary  
Fairfax County Redevelopment and  
Housing Authority  
Employer Identification Number 52-1464034